

Eau Claire Redevelopment Authority
Minutes
Wednesday, October 12, 2016
Council Chambers, City Hall

Members Present: Mike DeRosa, Janine Wildenberg, David Klinkhammer, Jeff Halloin, Martin Green, Thomas Kemp, Dale Peters

Staff Present: Steve Nick, Jay Winzenz, Mike Schatz, Kyran Hamill, Ray French

1. Call to order. This meeting was called to order by Mr. DeRosa at 7:30 a.m.
2. Minutes from the meeting of August 17, 2016. The minutes from the meeting of August 17, 2016 were reviewed and approved on a motion made by Dr. Kemp and seconded by Mr. Klinkhammer. The motion passed.
3. Financial statements. Mr. Schatz presented the financial statements for the month ending September 30, 2016. Operating expenses totaled \$448 for utilities. Acquisition and capital expenses totaled \$6,062 for the removal of debris at 1807 Oxford Ave.

The financial statements for the month ending September 30, 2016 were reviewed and approved on a motion made by Ms. Wildenberg and seconded by Dr. Kemp. The motion passed.

4. Consideration of approving a Development Agreement and Lease Agreement with Draft Beer, LLC for property at 1807 Oxford Avenue. Mr. Schatz introduced the item of the draft development agreement and lease agreement. Mr. Nick noted the primary difference since the RDA last reviewed it was the longer closing timeframe and the concept of a lease. This was contemplated to give both sides time to complete the necessary elements before closing, and primarily for Mr. Glass to apply for and receive state and federal approvals. Mr. Nick noted that Mr. Glass cannot do that until he has a possessory interest in the property. For approval are the development agreement and the lease agreement.

The lease agreement is anticipated to go through April 15 and could be extended upon mutual agreement. The rent is nominal because of the consideration contained in the development agreement. The lease is triple net, which shifts responsibilities to the tenant, such as for taxes, insurance, and maintenance. The lease is intended to provide for pre-closing possession. Insurance will be the responsibility of the tenant, although it will continue to be listed on City's insurance.

Mr. Nick continued to review the development agreement. It mirrors the lease closing date of April 15. The exhibits are still in development, including the legal description and what the parcel will be. Mr. Glass is finalizing the elevations and site plan. Mr. Nick advised that the key dates of completion were still at the end of 2019 and the tax guarantee will begin in 2020, regardless of the delay. The agreement also recognizes the property is on the public trail and will be designed with dual facades. The RDA will continue with the demolition of the northern warehouse. There is a minimum tax guarantee of \$2.5 million by 1/1/2020, \$3 million by 1/1/2022, and a 50 years minimum for taxable status. The City will create a tax increment district, complete the trail, and clear trees to open the lower

will create a tax increment district, complete the trail, and clear trees to open the lower floodway, which are conditions precedent for the \$2.5 million guarantee. For the \$3 million guarantee to come into effect, the RDA must plat 5 lots north of the brewery and be available for commercial sale.

Mr. Halloin asked if there would be a problem with platting 5 lots. Mr. Nick did not think there would be. Mr. Nick showed the preliminary site plan which showed the approximate 50,000 sq. ft. site. There will be land to the north available for platting and other land will be dedicated back to the City for public space. Mr. Halloin asked whether the space for the option to the north would count as one of the platted lots. Mr. Nick indicated that nothing to the south would count. The option space may be platted and is still to be determined. Mr. Glass will have an option on the northern portion through December 31, 2018.

Mr. Glass and Attorney Butler did not have anything to add.

There was a motion made by Dr. Kemp to approve the lease for 1807 Oxford Avenue as presented, seconded by Ms. Wildenberg. The motion passed.

There was a motion by Dr. Kemp to approve the development agreement for 1807 Oxford Avenue, seconded by Mr. Green. The motion passed.

5. Presentation of a proposal for Block 7 in the North Barstow Redevelopment District. Mr. Schatz introduced the proposal and Mr. Schaefer from Commonweal Development. Mr. Schaefer shared the general layout of the proposal. He thinks one important component of the development of Block 7 will be legitimate commercial space on Barstow St to continue the vibrant commercial corridor. He said the project will need underground parking for the 2 apartment structures. Facing Barstow St will be a 4-story mixed use building with 20,000 sq. ft. commercial space on the first floor. This could be combined with the public market project. The second building along Wisconsin St would be a 3-story apartment building. The total project cost will be about \$18 million. The cost of just the 1st floor commercial space is about \$3.25 million and includes 20 ft ceilings, with a lot of glass and concrete.

Mr. Schaefer indicated they would be looking for a 3rd party sponsor of the potential public market space on the 1st floor. The indoor public market study showed a preliminary example of how the ground level could be divided. It includes a combination of a grocer and some spaces, and a shared loading dock, restrooms, and trash/recycling area. They have found apartments can be built without municipal subsidies due to low land costs. Haymarket Landing is slow-going and the market for commercial space is soft. For now, the commercial space would need funding from the public sector. The apartments and underground parking would be privately funded. One idea is that the sponsor could then lease out the first floor. Rents would be below market rate to facilitate incubation and fund operations of the sponsor. The cost is estimated to be about \$18 million and the valuation would help the TID meet its objectives. Mr. Schaefer showed the preliminary sketch.

Ms. Wildenberg asked whether the underground parking would be separate from each other. Mr. Schaefer said it would be shared. The entrance would be off of Hobart St and would include 80 parking stalls for 85 apartments. Some apartments would need to park outside or in the ramp.

Mr. Halloin asked how the grocer would be managed. Would it be a condominium or master lease from Commonweal? Mr. Schaefer explained that the first level would be paid for by public subsidy and Commonweal would lease it to the sponsor for \$1 per year. The sponsor would lease it to the tenants for what is appropriate. The anchor tenant would be more permanent. The others would be more like a public market. Mr. Halloin asked if he would move forward without the commercial if it was not feasible. Mr. Schaefer said he feels strongly that there needs to be commercial space along Barstow. However, potential tenants cannot pay the rent without a subsidy. Rents could be up to \$20 per sq. ft. to break even. Mr. Halloin acknowledged that if the plan is predicated on commercial in that space, there would need to be some subsidy.

Dr. Kemp said he likes the proposal. He asked that if the City or RDA is paying for a portion of the first floor, could they write the agreement in a way to assure maximum occupancy. Mr. Schatz responded that the sponsor would have flexibility to do that. Dr. Kemp acknowledged that if the space is publically subsidized, the sponsor does not have an incentive for maximum occupancy because the costs of operation will be minimal. He asked if the public entity will have authority to control the rents. Mr. Nick stated that we are at a preliminary stage of the proposal and will have a closed session next. He also said that there are vehicles to ensure for maximum occupancy, such as the condominium option or contractual models like rent control or clawback options. This would be an area for negotiation in addition to the regular terms. There would likely be a bi-lateral agreement between the RDA and the developer.

Mr. Schaefer referred to the public market study, which identified that the sponsor would have no cost of rent on the space. They would pay their share of operating costs and property taxes out of the rents. With low rents, they likely would not have trouble keeping the space full. He also discussed options for the sponsor to create an incubator space. Mr. Schaefer concluded by saying he wanted to get the idea out there so they could work through it. He thinks the sooner the site gets used, the better, so as to get the assessment on the tax rolls. Unfortunately, the success of downtown is its own worst enemy due to having a lot of commercial space.

Eileen Immerman from Just Local Foods said they very interested in partnering with Mr. Schaefer on this project. They are not just another grocery and they work with local farmers as partners. The trend for grocery stores is for smaller stores like theirs and they could emulate that here.

There was a motion made by Dr. Kemp to go into closed session, seconded by Ms. Wildenberg. The motion passed and the meeting continued into closed session.

CLOSED SESSION

The Redevelopment Authority may convene in closed session to discuss the terms and conditions of a redevelopment proposal and a development option agreement for Block 7 in the North Barstow Redevelopment District which is permitted in closed session pursuant to Wisconsin Statutes 19.85(1)(e).

There was a motion made by Dr. Kemp and seconded by Mr. Klinkhammer to go back into open session. The motion passed and the meeting continued back in open session.

OPEN SESSION

6. Potential consideration of a motion to approve a development proposal or option agreement for Block 7 in the North Barstow Redevelopment District. There was no motion on this item. Mr. DeRosa directed staff to continue discussions with Mr. Schaefer exploring financing models for commercial space from private funding, other than the TID, and other organizational models to see if it can work. He recognized that there are time constraints for valuation and funding.
7. Consideration of a request from Market & Johnson to use Block 7 for construction parking. Mr. Schatz introduced lease agreement asked for by the RDA previously. Mr. Nick discussed the short-term parking agreement. It is a month-to-month lease for temporary parking for Market & Johnson and their contractors for while they are working on the Confluence Arts Center project. If development is finalized in 2017 for the site, the agreement would terminate and they would work with Market & Johnson to find new parking spaces in downtown. Mr. DeRosa confirmed that the rent is \$0. Mr. Nick identified that this was similar to previous agreements, like for construction of the parking ramp. It is currently used almost exclusively by Royal Credit Union and JAMF employees. In this case, maintenance would be shifted to Market & Johnson.

A motion as made by Mr. Klinkhammer and seconded by Dr. Kemp to execute the lease agreement with Market & Johnson to use Block 7 for construction parking. The motion passed.

8. Review of the Cannery District conceptual plan. Mr. Schatz passed out the conceptual prints to the RDA. He reminded the RDA that at their last meeting they discussed two different road options and asked Ayres Associates to come back with those two examples. They are Option A and Option B. City staff continues to meet regularly on the road and park options. The last thing they would present is the 3D model, which could be ready for the November or December meeting. This would complete the Ayres contract. Staff would also like to transfer the park plan to the City for planning. The trail is marked and the RDA could walk it. They are winding up the contract with Ayres and setting up the 3D model presentation with Ayres for either November or December. Mr. DeRosa asked if November would work and Mr. Schatz said he would check on that.

9. Executive Director's Report. Mr. Schatz discussed the recent Leader Telegram article on the RDA and that the traditional method of funding is coming to an end. There is a plan for continuing to fund it from other sources where the funding was not needed. He mentioned the Economic Summit happening at the end of October where they would be look at other models of funding economic development and discuss whether it should be changed.

Mr. Schatz added that a request for proposals was received for a possible corporate headquarters downtown. The Transit RFP is due at the end of October. He discussed the WEDA Fall Conference that was held at The Lismore last week. It was an excellent chance to talk about what is happening here, and showcase the public/private partnerships and our music scene.

He also reported he met with Audrey Boerner from the Health Department regarding the Health Impact Assessment. They are continuing to meet with their neighborhood groups and would like to be on the RDA's December agenda.

10. Announcements, directions and correspondence. No items at this time. Mr. DeRosa said that staff has direction on Block 7 and should provide regular updates to the RDA. Mr. Schatz said the next meeting will be November 16.

The meeting was adjourned at 9:18am.



Jeffrey Halloin, Secretary